

Internal Control Assessment A/P Discount Payment Terms

Purpose

To ensure that proper internal controls exist regarding discount payment terms and the extent that FSA adheres to those policies, procedures, regulations and laws.

Background

In accordance with the Treasury Financial Manual (TFM) Volume I, Section 6-8040, FSA must use a system that records discount terms offered by vendors on its invoices and automatically determines whether taking the discount is economically justified. Under Department of Treasury's Prompt Payment Regulations, the start date for FSA to take a discount is calculated from the date placed on a proper invoice by the vendor. However, if there is no invoice date on the invoice, the discount period will begin on the date a proper invoice is received by FSA.

FSA must maintain accurate and timely records to ensure that discounts offered by vendors that are economically advantageous to the Federal government are taken. In order to take advantage of discounts, FSA must enter all invoices received from its vendors in a timely manner into its accounting system. Then the system must compare the discount offered to the Treasury Current Value of Funds Rate to determine whether or not it is advantageous to take the discount.

Internal Control Standard

FSA must ensure all discounts offered by vendors that are economically advantageous to the Federal government are taken.

Assessment of FSA's Compliance^{*}

We examined several months of invoices and reviewed invoice due dates and invoice terms for receiving a discount. We discovered that the system was taking these factors into account when determining the vendor payment amount.

^{*} The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.